GOLDEN DESTINY

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 8th February 2013 (Week 6, Report No: 6/13)

(Given in good faith but without guarantee)

The first week of February ends with record high volume of newbuilding business due to strong placements in the tanker segment with Chinese energy player putting again firm volume of very large crude carrier newbuilding contracts. The appetite for secondhand purchases keeps its solid pace and demolition activity keeps going with Indian subcontinent region still offering alluring scrap prices.

Overall, 50 transactions reported worldwide in the secondhand and demolition market, up by 19% week on week with 77% increase of secondhand purchasing activity and 28% lower scrapping vessel removals. At similar week in 2012, the total S&P activity was standing 44% lower than the current levels, when 28 transactions had been reported and secondhand ship purchasing activity was 69% lower than the ordering business due to strong volume of new orders in the offshore segment. The highest activity has been recorded in the newbuilding market due to a boost in tanker contracting with 44 new orders reported, while secondhand purchasing activity has been centered on bulk carriers' and tankers' purchases.

SECONDHAND MARKET

Bulk carriers monopolized investors' interest with a total of 14 vessel purchases. Handysizes of vintage tonnage grasped a firm volume of S&P activity. Modern tonnage was not so much on the centre for purchasing this week with the activity also for large sized vessels, capesize and panamax, being more for vessels of more than 10yrs old. In the supramax segment, a sale concluded for a3yrs old vessel built South Korea for a price of more than $18mil, when in December 2011, a Japanese built 2008 supramax vessel had been reported sold for a price in the region of $26,5mi.

Overall, 32 vessels reported to have changed hands this week at a total invested capital in the region of US$ 450,8 mil , 5 S&P deals reported at an undisclosed contract price. Bulk carriers held the lion share of this week's S&P activity, 44% with a total of 14 vessel purchases, while tankers follow with 22% share for 7 vessel purchases. In terms of the reported number of transactions, the S&P activity is up by 77% from last week's activity, due to a 75% weekly increase in bulk carriers' purchases. Comparable with previous year's weekly S&P activity is standing 433% higher, when 6 vessels induced buyers' interest at a total invested capital of about $27,5mil with 4 S&P deals in the bulk carrier segment, 1 in the tanker and 1 in the car carrier. In terms of invested capital, the bulk carrier segment appears as the most overweight segment by attracting about 32% of the total amount of money invested and tankers follow with a 14% share. In the LNG segment, an internal sale for a large LNG carrier attracted a hefty amount of money invested in the region of $215mil.

NEWBUILDING MARKET

In the **newbuilding market,** the first days of February bring interesting newbuilding deals at a time when freight markets have not yet exited from their long term recession. Japanese yards made their presence this week with some newbuilding business in the bulk carrier segment for large sized panamax vessels as new eco designs. In the tanker segment, there was an exceptional reported newbuilding business this week not only for medium range product tankers, but also for crude carrier vessel types. Chinese energy player once more boosted significant business for the construction of very large crude carriers in domestic yards.

Overall, the week closed with 44 fresh orders reported worldwide at a total deadweight of 3,418,400 tons, posting a 26 % week-on-week increase from previous week with significant volume of business in the tanker segment, up 1700% week-on-week and 1400% week-on-week decrease in new contracts for special projects. This week's total newbuilding business is up by 132% from similar week's closing in 2012, when 19 fresh orders had been reported, 14 for special projects. In terms of invested capital, the total amount of money invested is estimated in the region of more than $2,1bn, 3 newbuidling deals reported at an undisclosed contract price, with a hefty amount invested in the tanker segment due to strong placement of capital in the construction of MR product vessels and VLCCs.

In the **bulk carrier** segment, interesting newbuilding deal, but not yet finalized, is the tender from Korea Electric Power for the construction of nine capesize bulkers with 150,000dwt to two Asian consortiums. The first consortium will be Hyundai Merchant Marine and STX Pan Ocean and the second, and Hanjin Shipping and SK Shipping. The contract is said to be worth 1.8 trillion won ($1.6Bn), resulting in fierce yard competition. The newbuildings are scheduled with late delivery in 2016.

In the **tanker** segment, Scorpio Tankers of Italy placed additional orders for MR vessels as exercised options from its initial orders. Last week, it placed an order for four more fuel efficient 52,000dwt vessels at South Korea's SPP Shipbuilding at a price of $32,5mil each for delivery in third and fourth quarter of 2014. In addition, Scorpio exercised options at Hyundai Mipo for four 37,000dwt handymax ice class 1A product tankers at a price of $30mil each for delivery in 3q 2014. The owner disclosed that it has negotiated fixed price options with Hyundai Mipo for four more ships of the same size. These vessels represent the first fuel efficient new product tankers ordered in such size other than the medium range.

Energy group BP Shipping is said to be planning the construction if up to 30 MR product tankers of 50,000dwt . Sources suggest that the energy player has already approached around four South Korea shipbuilders for the construction of 10 high-specification 50,000dwt vessels with the possibility of two options for a series of 10 more ships per option.

In the aframax segment, Frontline has ordered two more aframax product tankers of 115,000dwt for construction in Guangzhou Longxue Shipbuilding of China with delivery in late 2014 and 2015. The order is an exercised option from an initial order for four similar units placed in May last year at a price of $42mil each.

In the suezmax segment, Norwegian owner, Knutsen Offshore, has contracted a 152,000dwt shuttle tanker for construction in Cosco Zhoushan at a price of $100mil with delivery in third quarter of 2014.

In the very large crude carrier segment, Chinese player, China Merchants Energy Shipping, is securing an order for six firm vessels, with an option for four more, at two domestic yards. The optional orders were placed through Associated Maritime Co – Hong Kong, which is CMES's wholly owned subsidiary It ordered three 320,000dwt vessels, with an option for another two, at Shanghai Waigaoqiao Shipbuilding. The new energy saving and environmentally friendly VLCCs' will cost $85mil each for delivery in October 2014, January 2015 and July 2015. China Merchants Energy Shipping estimates that the tanker newbuildings will reduce fuel consumption by 20% compared to its existing VLCC fleet built between 2009 and 2011. In addition, China Merchants Energy Shipping has ordered three 320,000dwt vessels, with an option of two more, in Dalian Shipbuilding Industry, for delivery in December 2014, May 2015 and August 2015.

In the **gas tanker** segment, Norwegian owner, Frontline, added an order for two 83,000 cum LPG carriers at Jiangnan Shipyard for delivery in 2015 at a newbuilding cost of $63,5mil each, with an option of two more units

In the **container** segment, Greece's Technomar has placed an order for two large panamax containerships of 6,900 TEU, plus an option for two more, for construction at Hanjin Heavy Industries. The newbuilding cost is said to be in the region of excess $63mil each with delivery in 2015. The vessels will be of high specification with fuel efficiency.

In the **offshore** segment, Seadrill has ordered two high specification jack-up rigs at Dalian Shipbuilding Industry Offshore in China for delivery in first and second quarter of 2015. The estimated total project price is approximately $230mil, including project management, capitalised interest, drilling and handling tools, spares and operation preparations per rig. The units would be based on the F&G JU2000E design, with water depth capacity of 400ft (122m) and drilling depth down to 30,000ft. Seadrill has in addition received fixed-price option agreements to build two more such units at Dalian, with delivery in the 3Q15 and 4Q15.

DEMOLITION MARKET

In the **demolition** market, the price sentiment has started to weaken from previous weeks' highs with Chinese shiprecylers being less aggressive on the upcoming of Chinese New Year and India falling behind Bangladesh and Pakistan. It interesting to see what the Chinese New Year will bring as it seems that Bangladesh with India will compete for securing new tonnage now that Chinese will be out of the game. At the current days, benchmark prices in Indian subcontinent region are nearing to $400-$410/ldt for dry and $430-$435/ldt for wet cargo, while Chinese are offering $385/ldt for dry and $400/ldt for wet cargo. However, there are still a lot of vessels reported for scrap in India at outstanding price levels with container being on the frontline. This week, Pakistan finally made its presence strong with some interesting deals as it paid $450/ldt for a floating storage unit with 23,128ldt and $435/ldt for a tanker and obo vessel.

The week ended with 18 vessels reported to have been headed to the scrap yards of total deadweight 945,368 tons. In terms of the reported number of transactions, the demolition activity has been marked with a 28% week-on-week decrease, due to 50% lower volume of demolition transactions for bulk carriers with a 20% increase in the containers segment. In terms of deadweight sent for scrap, there has been 14% increase with the disposal of 2 capesize bulkers, 1 obo and 1 suezmax tanker. India won 9 of the 18 total demolition transactions, Bangladesh 2, Pakistan 2 and China 3 and 2 demo deals reported to have been headed to undisclosed shipbreaking yards.

At a similar week in 2012, demolition activity was up by 22% from the current levels, in terms of the reported number of transactions, 22 vessels had been reported for scrap of total deadweight 764,174 tons with bulk carriers and tankers grasping 55% of the total number of vessels sent for disposal. India and Bangladesh had been offering $465/ldt for dry and $495/ldt for wet cargo.

GREEK PRESENCE

Strong presence of Greek owners in the secondhand market recorded for a second week, following the week ending February 1st. In the bulk carrier segment, they invested about $51,5 mil for the purchase two panamax vessels built 2000 and 2001, one supramax built 2010 and one handysize built 1997. In the tanker segment, they bought a panamax vessel built 2007 for a price over $25mil and in the container segment, a sub-panamax built 1997 for about $5,9mil. In the newbuilding arena, Greece's Technomar has placed an order for two large panamax containerships of 6,900 TEU, plus an option for two more, for construction at Hanjin Heavy Industries. The newbuilding cost is said to be in the region of excess $63mil each with delivery in 2015. The vessels will be of high specification with fuel efficiency.

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